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Lee

Annual

Report

1970



THE
CANADIAN
SALT
COMPANY
LIMITED

Directors

H. A. Clarke
 F. B. Common, Jr.
 Hon. L.-P. Gelinas
 W. Hasler
 W. D. Mahaffy
 J. D. Mair
 L. M. McBride
 D. Peterkin, Jr.
 J. H. Rowland
 E. G. Smith
 H. R. Stratford
 J. H. Taylor

Executive Officers

D. Peterkin, Jr., Chairman of the Board
 W. D. Mahaffy, President
 H. A. Clarke, Vice-President and
 Secretary-Treasurer
 J. D. Mair, Vice-President, Production
 J. H. Rowland, Vice-President, Marketing
 L. M. McBride, Assistant Secretary
 K. Weatherford, Vice-President

Registrars and Transfer Agents

Montreal Trust Company

Auditors

Peat, Marwick, Mitchell & Co.

Head Office

Canada Cement Building, Montreal, Quebec

FINANCIAL HIGHLIGHTS

	1970	1969	1968	1967	1966⁽¹⁾
	\$	\$	\$	\$	\$
Sales	21,845,904	20,216,660	21,458,408	18,920,767	16,624,984
Income before depreciation, amortization and taxes	5,427,346	6,256,645 ⁽³⁾	6,123,882	5,352,301	3,730,522
Depreciation and amortization	1,718,498	1,716,071	1,674,015	1,539,948	1,501,912
Taxes (on income)	1,404,840	1,860,103 ⁽³⁾	1,774,804	1,478,259	992,531
Net income	2,304,008	2,680,471 ⁽³⁾	2,675,063	2,334,094	1,236,079
Shares issued and outstanding	2,250,000	2,250,000	2,250,000 ⁽²⁾	750,000	750,000
Earnings per share	1.02	1.19 ⁽³⁾	1.19 ⁽²⁾	3.11	1.65
Dividends paid per share	0.60	0.55	0.33 ⁽²⁾	0.80	0.80
Total shareholders' equity	25,811,696	24,857,688	23,414,717	21,489,654	19,755,560
Working capital	6,672,069	7,029,482	6,864,686	4,603,531	5,653,222
Capital expenditures	2,456,451	2,512,598	1,264,460	2,232,690	1,657,991

(1) The fiscal year-end was changed to June 30 in 1966.

The 1966 figures are for the twelve months from July 1, 1965 to June 30, 1966.

(2) Company subdivided its common shares on January 23, 1968 on a three for one basis. Prior to split, dividends of 40¢ a share were paid on 750,000 shares amounting to \$300,000 and subsequent to split, dividends of 20¢ a share were paid on 2,250,000 shares amounting to \$450,000.

(3) Includes extraordinary credit of \$893,490 from which tax has been deducted in the amount of \$477,213 for an addition to Net income of \$416,277 or 19 cents per share.

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

Net income before extraordinary items for the year ended June 30, 1970, was \$2,304,008, or \$1.02 per share, compared with \$2,264,194, or \$1.00 per share last year. Including extraordinary items, net income was \$1.02 per share in 1970 and \$1.19 per share in 1969. Sales of \$21,845,904 were approximately 8% above last year's level.

Dividends for the year were 60 cents per share compared with 55 cents last year or \$1,350,000 compared with \$1,237,500.

Winter conditions experienced during the ice-control season were more severe than normal lasting almost until the end of March in many areas. The resulting increase in sales of rock salt offset to some extent the effects of the five-month strike at the Windsor, Ontario, mine which was settled in September 1969.

An increase of approximately 10% in sales of evaporated salt products was offset by higher costs. Starting-up expenses of the new Regina plant combined with the cost of closing the Neepawa plant contributed substantially to the increase in costs. In addition, the Windsor, Ontario, plant was strikebound until August 13, 1969, about halfway through the first fiscal quarter.

Capital expenditures of \$2,456,451 included the cost of completing the Regina plant, new production equipment and expanded distribution facilities.

Along with many other corporations especially in the mining industry, we are most interested to see the results of numerous submissions to the Parliamentary Committees on the Government's white paper on tax reform. It is to be hoped that many of the theoretical assumptions and conclusions contained in the white paper proposals will, as a result of these submissions, give way to more practical considerations when legislation is eventually drafted.

There were three changes on the Board of Directors during the year. Mr. J. H. Rowland, Vice-President — Marketing, was elected to the Board following the retirement of Mr. F. H. Sobey after seventeen years of service. The Board was saddened by the sudden death last February of the Hon. Jean Raymond, a director since 1964. Special By-law "K" was enacted by the Board to reduce the number of directors of the Company from 13 to 12.

We look forward to improved earnings in the coming year. Contracts already awarded to supply rock salt point to a successful ice-control season under normal winter conditions.

The Directors wish to express their thanks to the employees of the Company for their efforts during the past year.

On behalf of the Board of Directors,



W.H. Rowland
Chairman



W.D. Mahaney
President

CONSOLIDATED STATEMENT OF INCOME

Year ended June 30, 1970 with comparative figures for 1969

THE CANADIAN SALT COMPANY LIMITED and subsidiary companies

	1970	1969
SALES	\$21,845,904	\$20,216,660
COSTS, INCLUDING MARKETING AND ADMINISTRATIVE EXPENSES	16,408,442	14,996,271
DEPRECIATION	1,421,751	1,419,324
AMORTIZATION OF DEFERRED MINE PREPRODUCTION AND DEVELOPMENT EXPENSES	296,747	296,747
OPERATING PROFIT	18,126,940	16,712,342
OTHER INCOME:		
Interest earned	181,330	186,332
Miscellaneous	11,520	17,961
	192,850	204,293
	3,911,814	3,708,611
OTHER DEDUCTIONS:		
Interest on long-term debt	40,259	53,278
Loss on sale of fixed assets	116,245	7,066
Miscellaneous	46,462	1,183
	202,966	61,527
INCOME BEFORE INCOME TAXES AND EXTRAORDINARY CREDIT	3,708,848	3,647,084
PROVISION FOR INCOME TAXES (note 2)	1,404,840	1,382,890
NET INCOME BEFORE EXTRAORDINARY CREDIT	2,304,008	2,264,194
EXTRAORDINARY CREDIT LESS INCOME TAXES \$477,213	—	416,277
NET INCOME	\$ 2,304,008	\$ 2,680,471

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year ended June 30, 1970 with comparative figures for 1969

THE CANADIAN SALT COMPANY LIMITED and subsidiary companies

	1970	1969
Balance at beginning of year	\$23,942,688	\$22,499,717
Net income for the year	2,304,008	2,680,471
	26,246,696	25,180,188
Dividend	1,350,000	1,237,500
Balance at end of year	\$24,896,696	\$23,942,688

See accompanying notes to consolidated financial statements.



CONSOLIDATED BALANCE SHEET

June 30, 1970 with comparative figures for 1969

ASSETS	1970	1969
CURRENT ASSETS:		
Cash	\$ 43,939	\$ 181,015
Short-term notes and other temporary investments, at cost, which approximates market value	3,108,617	4,395,694
Accounts receivable less allowance for doubtful accounts	1,353,399	1,126,468
Due from affiliated companies	461,871	109,476
Inventories at the lower of cost and market value	4,452,698	3,996,148
Prepaid expenses	167,138	189,170
Total current assets	<u>9,587,662</u>	<u>9,997,971</u>
ESTIMATED INCOME TAXES RECOVERABLE (note 1)	327,128	327,128
NOTE RECEIVABLE FROM AN AFFILIATED COMPANY — NOT CURRENT	5,232,101	5,232,101
FIXED ASSETS AT COST, LESS ACCUMULATED DEPRECIATION:		
Land, including mineral rights	1,092,939	1,091,890
Buildings and equipment less accumulated depreciation \$13,389,320; 1969 — \$12,968,096	11,397,988	10,480,582
	<u>12,490,927</u>	<u>11,572,472</u>
MINE PREPRODUCTION AND DEVELOPMENT EXPENSES, INCLUDING COST OF SHAFTS, LESS AMORTIZATION \$3,083,130; 1969 — \$2,786,383	3,739,872	4,036,619
	<u>\$31,377,690</u>	<u>\$31,166,291</u>

on behalf of the Board: D. Peterkin, Jr., Director - W. D. Mahaffy, Director.

**THE
CANADIAN
SALT
COMPANY
LIMITED**
and subsidiary companies

LIABILITIES	1970	1969
CURRENT LIABILITIES:		
Loan payable — bank.....	\$ —	\$ 725,000
Accounts payable and accrued charges.....	1,512,798	1,145,288
Due to affiliated companies.....	5,628	—
Income and mining taxes payable.....	802,167	740,201
Sinking fund payments and instalments of long-term debt payable within one year.....	595,000	358,000
Total current liabilities.....	2,915,593	2,968,489
 DEFERRED INCOME TAXES (note 2)	2,650,401	2,742,614
 LONG-TERM DEBT:		
5% Notes due March 1, 1971.....	—	597,500
 SHAREHOLDERS' EQUITY:		
Capital stock (note 3)		
Authorized —		
4,500,000 shares of no par value		
Issued and fully paid —		
2,250,000 shares.....	915,000	915,000
Retained earnings.....	24,896,696	23,942,688
Total shareholders' equity.....	25,811,696	24,857,688
 Commitments and contingent liability (notes 4 and 5)	 \$31,377,690	 \$31,166,291

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended June 30, 1970 with comparative figures for 1969

THE CANADIAN SALT COMPANY LIMITED and subsidiary companies

SOURCE OF FUNDS	1970	1969
From operations		
Net income.....	\$ 2,304,008	\$ 2,680,471
Depreciation and amortization of fixed assets and mine preproduction and development expenses.....	1,718,498	1,716,071
Loss on sale of fixed assets.....	116,245	7,066
Deferred income taxes.....	(92,213)	(97,414)
Funds provided from operations.....	4,046,538	4,306,194
Special refundable tax.....	—	107,200
	<u>4,046,538</u>	<u>4,413,394</u>

APPLICATION OF FUNDS

Expenditures on fixed assets less proceeds on disposals \$87,102.....	2,456,451	2,512,598
Retirement of long-term debt including payments due within twelve months.....	597,500	498,500
Dividend.....	1,350,000	1,237,500
	<u>4,403,951</u>	<u>4,248,598</u>
(DECREASE) INCREASE IN WORKING CAPITAL.....	\$ (357,413)	\$ 164,796

WORKING CAPITAL CHANGES FOR YEAR ENDED JUNE 30, 1970:

	June 30, 1970	June 30, 1969	Decrease
Current assets.....	\$ 9,587,662	\$ 9,997,971	\$ 410,309
Current liabilities.....	2,915,593	2,968,489	52,896
Working capital.....	\$ 6,672,069	\$ 7,029,482	\$ 357,413

See accompanying notes to consolidated financial statements.

**NOTES
TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 1970

THE CANADIAN SALT COMPANY LIMITED and subsidiary companies

(1) A subsidiary company has received assessments totalling \$327,128 in respect of income taxes for prior years. The amounts assessed and paid have been included in the balance sheet as "Estimated income taxes recoverable" pending the outcome of the appeals against the assessments. If the appeals against the assessments are unsuccessful, the amount will be written off against retained earnings.

During the year ended June 30, 1969, another subsidiary company made provision for taxes on monies received as consideration for cancellation of a contract. The subsidiary has made representations to the income tax authorities that the payment is not subject to income taxes. Should the claim be successful, an amount of \$477,213 will be credited to retained earnings.

(2) Deferred income taxes represent the estimated amount of taxes applicable to future years in respect of depreciation of fixed assets and amortization of preproduction and development expenses claimed for tax purposes in excess of amounts written off in the accounts of the companies. The provision for income taxes charged against income has been reduced by transfers from deferred income taxes of \$92,213 in 1970 and \$97,414 in 1969.

(3) Pursuant to an Executive Incentive Plan approved by the shareholders on October 10, 1967, 150,000 common shares have been set aside in connection with stock options which may be granted under the Plan.

(4) Commitments for fixed asset expenditures amounted to \$463,000 at June 30, 1970.

(5) The employees of the company and its subsidiaries are eligible for membership in a non-contributory pension plan. The unfunded liability in respect of past services at June 30, 1970, based on an actuarial valuation made as of December 31, 1968, is estimated to be \$500,000 and is being amortized by payments of \$42,200 over 21 years which will be charged to operations. Pension costs charged in the accounts during the year ended June 30, 1970 amounted to \$234,834 including amounts in respect of past services.

(6) Remuneration, including fees, salaries of executive officers and other emoluments, paid during the year to directors of The Canadian Salt Company Limited by that company and its subsidiaries amounted to \$189,933.

AUDITORS' REPORT

PEAT, MARWICK, MITCHELL & CO.

CHARTERED ACCOUNTANTS

1155 DORCHESTER BLVD. WEST
MONTREAL 102, QUEBEC

To the Shareholders

We have examined the consolidated balance sheet of The Canadian Salt Company Limited and its subsidiary companies as of June 30, 1970 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the companies at June 30, 1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Chartered Accountants.

Montreal, Que.
July 24, 1970

PLANTS	Lindbergh, Alta / Regina, Sask. / Windsor, Ont. / Pugwash, N.S.
MINES	Pugwash, N.S. / Windsor, Ont.
SALES OFFICES	Moncton, N.B. / Quebec, Que. / Montreal, Que. / Toronto, Ont. / Winnipeg, Man. / Edmonton, Alta. / Vancouver, B.C.
EXECUTIVE OFFICES	Montreal, Que.

The logo consists of a blue rectangular background with three white squares arranged in a triangular pattern at the top left. To the right of the squares, the word "windsor" is written in a lowercase, sans-serif font.

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